

PROPERTY WATCH®

First Quarter 2011

Greater Grafton Area Market Overview

IN BRIEF

- The Greater Grafton Area house market has proven to be a steady performer over the past seven years.
- Over the past twelve months the Greater Grafton Area has recorded a 1.7% improvement in median house price and a staggering 17.6% increase in the median land price.
- The Greater Grafton Area has recorded strong average annual capital growths of 6.6% per annum for houses and 6.1% per annum for vacant land.

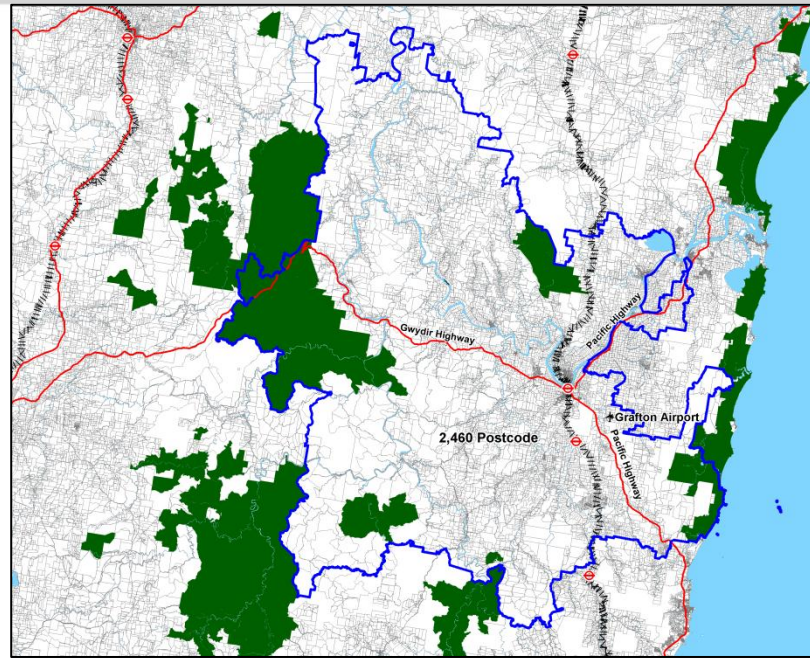
Area Characteristics

The suburb of Grafton is the commercial hub for the regional community within the 2460 postcode. This area is located close to the border of New South Wales and Queensland, 345 kilometres south of Brisbane and 640 kilometres north of Sydney. This locality is easily accessible from the north and south via the Pacific Highway, which runs through the Grafton CBD, while the Gwydir Highway provides access to major road networks and communities inland of Grafton. The region is also serviced by the Grafton Airport, with flights running from selected airports within New South Wales. For the purposes of this report, the Greater Grafton Area encompasses the suburbs located within the 2460 postcode.

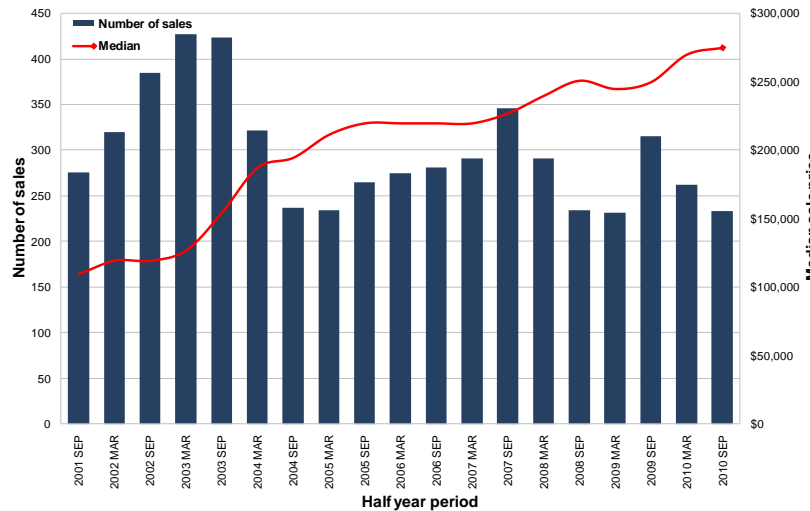
House Market

Following a peak in sales activity experienced as a result of the 2001 to 2003 property boom, the Greater Grafton Area recorded belated growth in house values from 2003 through to the beginning of 2005. As a result, the past seven years have seen the Greater Grafton Area house market prove to be a steady performer. Notably the Global Financial Crisis which unfolded in 2008 appears to have had little effect on this robust market. This can be attributed to the limited exposure of the local economy to the factors impacting other property markets around Australia, combined with a general affordability of real estate within the region.

Over the most recent six month period to September 2010, the Greater Grafton Area has recorded a median house price of \$275,000. This has resulted from a 10.0% increase in median price from the corresponding six month period in 2009. When looking at the longer-term growth rate spanning the past five years, this region has enjoyed more stable growth of 4.6% per annum which has been slowed as a result of a price correction over 2008. A resale analysis undertaken by PRDnationwide Research to establish the returns to home owners who exited the Greater Grafton house market during the six months to September 2010, revealed a strong level of returns within the market. According to the resale analysis, product that was sold within the half year to September 2010 has yielded an average annual capital growth figure of 6.9% per annum for the region. These houses had an average holding period of almost five years. One of the most affordable sales which took place during the September 2010 six month period was on Toona Way in South Grafton for \$116,000, while the highest sale was recorded in the suburb of Seelands for \$1,100,000.

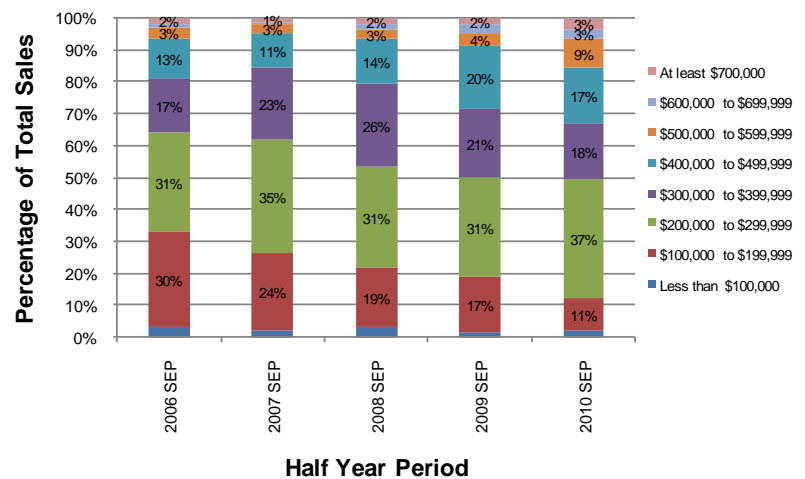


Greater Grafton Area House Sales Cycle Graph



Prepared by PRDnationwide Research Source: PDS Live

Greater Grafton Area House Price Points



Prepared by PRDnationwide Research Source: PDS Live

In terms of sales activity, the past twelve months has seen a decline in the volume of transactions recorded off a seven year peak in September 2009, which saw 452 sales registered. A decline of 26% from this figure has resulted in 233 sales recorded over the September 2010 six month period. Analysis of the price point distributions has indicated that the majority of these sales have transacted within the \$200,000 to \$299,999 price bracket, which accounted for 51% of total activity. This was followed by the \$300,000 to 399,999 price point which saw 21% of total sales. On an individual suburb level, Grafton has recorded the strongest level of sales at 96 (41%) of the 233 sales which occurred during the half year to September 2010. This was followed by the suburbs of South Grafton with 52 transactions and Junction Hill which recorded 52 transactions.

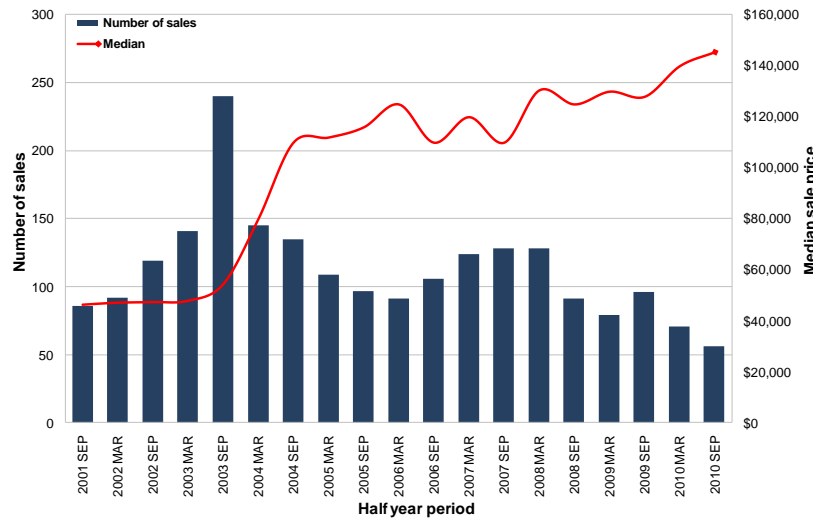
Vacant Land Market

The Greater Grafton Area Vacant land market has experienced significant growth over the past ten years, recording 12.1% per annum. This strong growth has been supported by strong demand for developable land within key areas of the Greater Grafton Region. With an affordable median land price of \$145,000 and the added advantages of purchasers being able to customise the design of their house, vacant land is proving to be a popular alternative within the Greater Grafton Area.

The Greater Grafton Area has recorded a median land price of \$145,000 for the September 2010 half year period. This figure was recorded off the back of an incredibly strong 12 month growth of 13.7% from the September 2009 six month period, whereas the five year compounding average has recorded a more modest figure of 4.6% per annum. A resale analysis has been undertaken to establish the returns to land owners who exited the Greater Grafton Area house market during the six months to September 2010, which also revealed a strong level of returns within the market. Vacant land product that was sold within the six month period to September 2010, has yielded an average annual capital growth figure of 6.7% per annum for the region. These lots had an average holding period of just over four and a half years.

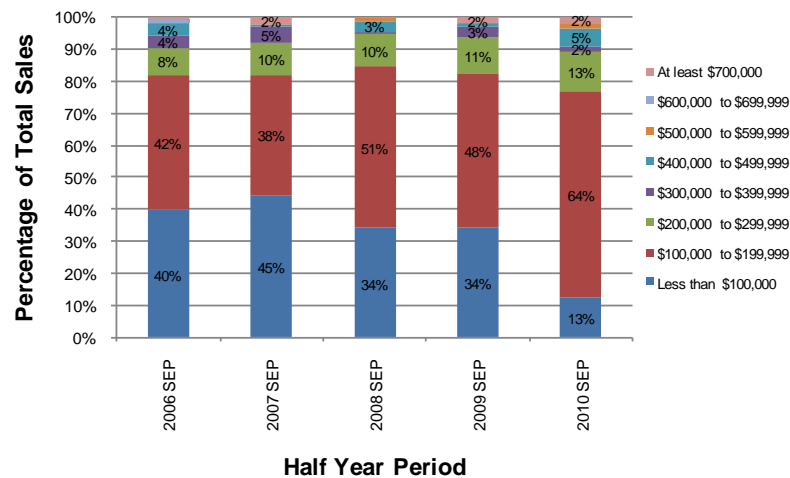
Sales activity over the past twelve months has declined significantly by 42%, to reach a ten year low of 56 transactions over the September 2010 half year. An analysis of the price point distributions shows that the majority of these sales have transacted within the \$100,000 to \$199,999 price point which accounted for 64% of total activity. Towards the high end of the market, which is predominately comprised of large rural properties, 2% transacted above the \$700,000 price point. The suburb of Grafton has recorded the highest level of sales, with 14 of the 56 sales. This was followed by Junction Hill, Lawrence and South Grafton which recorded eight transactions each. Analysis of the sales by lot size reveals the bulk of activity remains within the 0m² to 1,999m² lot variations which accounted for 48% of sales. This is representative of the level of sales occurring in established residential areas while sales towards the larger lot sizes indicates the level of lifestyle property sales occurring in more rural areas, where the larger lots are located.

Greater Grafton Area Vacant Land Sales Cycle Graph



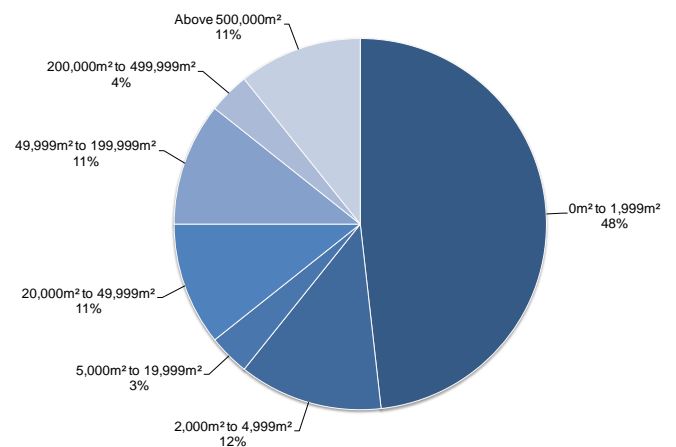
Prepared by PRDnationwide Research. Source: PDS Live

Greater Grafton Area Vacant Land Price Points



Prepared by PRDnationwide Research. Source: PDS Live

Greater Grafton Area Lot Size by Sales - Sept 2010



Prepared by PRDnationwide Research. Source: PDS Live

Prepared by PRDnationwide Research. Source: RP Data & PDS and the ABS. For further details contact: Josh Brown, Research Analyst Ph: (07) 3206 3357 or Email: joshbrown@prd.com.au, or visit our website at www.prdnationwide.com.au/research.

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